

BACKGROUND MEMO

TO: Members of the Press
FROM: Linden Zakula, Deputy Chief of Staff
SUBJECT: Arithmetic: House Transportation Proposal Doesn't Add Up
DATE: February 15, 2016

Members of the Press –

Today, Minnesota House and Senate Legislators will meet to review the current transportation proposals. Speaker Daudt, Chair Tim Kelly, and Republicans will again claim that they want to solve our transportation crisis; however, upon close examination of their proposal, it is clear that it won't come close to what non-partisan experts say is needed to fix our roads and bridges.^[1] The question is if Minnesotans will believe that \$7 billion will fix all the roads and bridges we need, without costing them a dime, and without coming at the expense of any other General Fund program. If it sounds too good to be true, it is. And the numbers prove it.

ACCOUNTING GIMMICKS = BAD MATH

Speaker Daudt and Transportation Chair Tim Kelly have crafted a proposal that simply does not add up. It is a basic issue of arithmetic. The Republican proposal may look good on paper, and they continue to tell the public that their plan adds up to \$7 billion over ten years. However; when you factor in the federal funds MnDOT is already anticipating, the unreserved fund balance MnDOT has already programmed and the more than a billion in general obligation bonds – one quarter of House GOP proposal is not new and anticipates future legislatures passing bonding bills. To hide this fact, the Republicans are using two accounting gimmicks to inflate their actual total (\$5.33 billion) by 31 percent. Here is where the math breaks down:

MATH PROBLEM #1: The Republican Plan relies on \$1.05 billion in “General Obligation Bonds” (GO Bonds). This amounts to 15 percent of their total transportation funding.

IT DOESN'T ADD UP, BECAUSE: First of all, the Republicans don't immediately authorize these bonds. That means they are relying on the next 5 legislatures to authorize \$100 million every year in new borrowing. This is something that Speaker Daudt and Rep. Kelly themselves demonstrated they were unwilling to do last session – but yet they expect legislators to do so in the next 9 sessions? (Last year they only included \$23 million for roads and bridges in their bonding bill). ***If the authors of this proposal are unwilling to fund their own proposal, how can they reasonably assume that future legislators will?*** In the last five years, the Legislature has never appropriated \$100 million for roads and bridges. In 2011 & 2012 about half that amount passed and in 2013 the bill included \$0 for transportation. History shows this approach is unreliable at best.

MATH PROBLEM #2: The Republican Plan relies on \$628 million in funding^[2] – federal appropriations which MnDOT anticipates and has already budgeted and the unreserved fund balance, the majority of which has already been appropriated to MNDOT for state road and bridge projects. Speaker Daudt and Republicans are attempting to tell people they can spend it again.

IT DOESN'T ADD UP, BECAUSE: You can't spend money twice.

STATE, COUNTY, CITY ROADS LOSE OUT WITH REPUBLICAN APPROACH

Republicans like to talk about building roads and bridges in Greater Minnesota, but their transportation proposal would shortchange state and county roads and bridges, and city streets and bridges – limiting the amount of projects that would be able to get done.

	Governor's Transportation Proposal	House Transportation Proposal
State Highways	\$5.38 billion · 600 road and bridge projects · 2,200 miles of additional roads modernized · 330 bridges repaired or replaced	\$3.47 billion 64% of DFL plan
County State Aid Highways	\$1.58 billion	\$972 million 61% of DFL plan
Municipal State Aid Streets	\$490 million	\$258 million 52% of DFL plan
Counties, Cities and Township Roads	\$288 million	\$130 million 45% of DFL plan
Metropolitan Area Transit	\$2.8 billion · 20 new transitways – 17 are added bus service · 27% increase in metropolitan area bus service; providing 97 million more rides per year	–\$723 million <u>reduction</u> to core bus service; no expansion of the Twin Cities transit network \$163 million for bus shelters for suburban riders.
Rail Grade Crossing Safety	\$330 million	\$5 million

REPUBLICAN TRANSPORTATION PROPOSAL RISKS KIDS' EDUCATIONS, HIGHER EDUCATION, AND MINNESOTANS' HEALTH CARE

While Republicans and Democrats agree that Minnesota is facing a serious transportation budget shortfall, we disagree on the approach. Governor Dayton, Majority Leader Bakk, and DFL Legislators have proposed a sustainable, comprehensive solution to Minnesota's transportation challenges because if we want to extend opportunity to more Minnesotans and businesses, create jobs, and grow our economy, we need a statewide transportation system that works for Minnesotans everywhere.

Not only does the Republican plan fall short of addressing our transportation needs, it does so while **taking \$4.03 billion from the general fund.** This is funding that would otherwise go to early education and schools, programs to make higher education more affordable and reducing student debt, health care for Minnesota’s seniors and most vulnerable citizens, and other critical needs.

Republicans are counting on Minnesotans thinking they invested \$4 billion in transportation, without raising a dime of new revenue. They don’t want anyone looking past the smoke and mirrors, or asking questions about what this plan will mean for education, higher education, and health care. Will it mean that schools have less? Yes, absolutely. Will it mean that funding is cut from other essential programs? Yes, it will. Will it mean that fewer Minnesotans will have quality health care? If they responded truthfully, Speaker Daudt and Rep. Kelly would have to answer, “possibly” or “that’s likely.”

The Republican proposal uses gimmicks to inflate its impact and misleads Minnesotans about both the seriousness of the problem and what their solution would accomplish. After looking at the numbers, it is undeniable that Speaker Daudt and Representative Kelly’s transportation proposal is **unpredictable, insufficient, and misleading.**

MINNESOTA’S TRANSPORTATION NEEDS: \$16.3 BILLION OVER 20 YEARS.

In the course of updating Minnesota’s projected transportation needs on the state highway system and comparing it to the anticipated revenue over the next 20 years, **MnDOT has identified a \$16.3 billion gap.** This unfunded need has grown by over \$3 billion since it was last calculated for the Transportation Finance Advisory Committee in 2012.^[1] Last Session there was broad bi-partisan agreement on the scope of our transportation problem and experts agree that the need is \$16.3 billion over the next 20 years.

Each year we delay making these needed investments, the costs continue to increase. Since the data for the TFAC Report were assembled, there have been four years of legislative inaction on sustained transportation funding. Minnesota’s transportation system, the fifth largest in the nation, is coming of age. Half of the state’s highways are more than 50 years old and more than a third of all state bridges are also 50 years or older.

The longer the state waits to make necessary investments in critical transportation infrastructure improvements, the faster our aging roads and bridges deteriorate. Deferring basic maintenance causes more costly damage to our current infrastructure, making their improvements more complex and costly to complete. The cost of materials and labor to fix the system has increased and will continue to do so.

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^[1] TFAC Report 2012, 12/2012, <http://www.dot.state.mn.us/tfac/docs/final-report.pdf>

^[2] This figure comes from \$430 in MNDOT’s “unreserved Trunk Highway Fund” balance and \$198 million in federal funding.

^[3] MnDOT, 11/5/15, <http://www.dot.state.mn.us/newsrels/15/11/5funding.html>